

## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Harris Trust and Savings Bank** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **October 21, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U. S. C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## **ASSIGNMENT OF RATING**

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE**

### **Institution's Rating:**

This institution is rated "**satisfactory record of meeting community credit needs**", based on the findings presented below.

### **COMMUNITY PROFILE**

The bank's delineated community is Cook County. Cook County, located in the Chicago Metropolitan Statistical Area (MSA), has an estimated population of 5,102,993 and is comprised of the City of Chicago and 30 additional townships.

The racial and ethnic makeup of the population<sup>1</sup> within the delineated community was as follows: Whites 2,927,284 or 57.36%; Blacks 1,301,723 or 25.51%; individuals of Hispanic descent 677,911 or 13.28%; Asians 183,004 or 3.59% and all other minorities 13,071 or 0.26%. Minority census tracts total 586 or 43.90% of the 1,335 census tracts within the delineated community; 618 or 46.29% of the census tracts are low- and moderate-income tracts. The median family income for Cook County is \$39,296, resulting in a low- and moderate-income level of \$31,437. Low- and moderate-income individuals total 1,974,841 or 38.70% of the delineated community's population. There are a total of 2,021,833 housing units in the market, of which 1,042,793 or 51.58% are owner-occupied units and 836,695 or 41.38% are rental-units. Of the total number of owner-occupied units, 224,146 or 11.09% are in low- and moderate-income areas. The median age of the housing stock in the delineated community is 37 years, while the median age of the housing stock in the low- and moderate-income areas is 45 years. The median value of an owner-occupied housing unit in the delineated community was \$102,100.

According to senior management, the Chicagoland area remains **Under banked**. Senior management stated that the population per deposit-taking outlet is approximately 3,000 in the United States, Canada and Western Europe versus 5,000 in Chicagoland.

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<sup>1</sup> All demographic data is based on 1990 census data.

Major employers<sup>2</sup> located within the assessment area include:

<u>Name of Employer</u>	<u>Number of Employees</u>
Chicago Board of Education	49,000
City of Chicago	41,000
Cook County	27,000
U.S. Postal Service	27,000
Federal Government	25,000
State of Illinois	21,797
Jewel Food Stores, Inc.	16,500
Motorola, Inc.	16,000
Sears, Roebuck & Co.	15,635
United Airlines	15,500
Commonwealth Edison Co.	13,714
Chicago Transit Authority	12,700
Dominicks	12,700
AT&T	12,000
University of Illinois	11,800
Ameritech	11,000
Loyola University Chicago	10,000
American Airlines	10,500
EHS Health Care	10,200
University of Chicago	10,000
Rush-Presbyterian - St. Luke's Medical Center	9,916
Walgreen Co.	9,915
Abbott Laboratories	8,700
Allstate Corp.	8,565
Montgomery Ward & Co.	8,100
Baxter International, Inc.	7,594
Arthur Anderson & Co. S.C.	7,369

## **BANK PROFILE**

Harris Trust and Savings Bank, with \$14 billion in assets as of June 30, 1996, is a subsidiary of Harris Bankcorp, Inc. (Bankcorp), a multi-bank holding company. Bankcorp is a subsidiary of Bankmont Financial Corporation of New York, which is a subsidiary of Bank of Montreal in Canada.

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<sup>2</sup> Dunn and Bradstreet; Manufacturers News Incorporated.

The bank has 56 offices and three drive-up facilities. The bank's main office is located in Chicago's downtown business district. On June 28, 1996, the bank purchased 51 branch offices and three drive-up facilities from Household Bank, f.s.b. Three of these branch offices were subsequently closed. Two of the closed branches were located in grocery stores and the grocery store chain did not renew the bank's lease; the third branch was closed due its proximity to an existing branch office of an affiliate bank. None of the closings adversely affected customer service. The bank is in the process of opening four new branch offices. The bank has traditionally been a commercial lender; however, with the purchase of a significant branch distribution network, the bank is now emphasizing consumer lending. The bank offers a full line of loan services, including real estate mortgage loans for the purchase, improvement and rehab of residential, multi-family and mixed-use properties; home equity lines of credit; credit cards; educational loans; and personal loans. Banking competition is provided by numerous downtown and/or neighborhood banks located throughout the metropolitan area. Competition for loan products and services is also provided by a number of out-of-state banking organizations.

Since 1994, the bank has been following an expansion strategy known as "AVision 2002". The strategy includes expansion of market share through retail growth, with an emphasis on consumer, mortgage and small business lending. The bank's purchase of 51 branch offices and three drive-up facilities in the Chicago area was a result of the implementation of Vision 2002.

The bank has two marketing, sales and service divisions designed to facilitate the bank's strategic plan; Corporate and Institutional Financial Services ("CIFS" concentrates on lending, investment and institutional trust services for middle markets, large businesses and institutional investors), and Personal and Commercial Financial Services ("PCFS" focuses on community banking, mortgages, bankcard and private banking services for consumers and small businesses).

Within PCFS, the Harris Chicago Community Bank ("HCCB") and the Marketing and Product Development Group were created. HCCB is a retail banking division of PCFS that operates similar to Bankcorp's 25 Chicagoland community banks. HCCB is designed to address the financial/service needs of the small business, community development and mass retail markets of Cook County and its key objective is to develop Harris Trust and Savings Bank as the preferred bank for these types of credit needs throughout the delineated community. The Marketing and Product Development Group of PCFS is responsible for oversight, provided by the CRA manager.

**ASSESSMENT OF RECORD****I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

***Assessment Factor (a) - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.***

**Regulatory Expectation**

The Statement of the Federal Financial Supervisory Agencies regarding the Community Reinvestment Act (Policy Statement) indicates that an effective CRA process must include methods to ascertain community credit needs on an ongoing basis through outreach efforts to local governments, businesses, and community members and organizations. This ascertainment effort should include a system that facilitates dialogue with these individuals and groups and enables them to communicate their concerns to an officer of the financial institution.

**Scope and Findings**

The bank's community credit needs ascertainment activities including efforts to communicate with representatives of the community were reviewed. Ascertainment methods reviewed included Banker Proactive Calling Program, Internal and External Discussion Groups, Educational Outreach, Organizational Involvement, Neighborhood Lending Program Review Board, and Surveys.

**BANKER PROACTIVE CALLING PROGRAM**

There are three key Business Units within the bank that conduct CRA-related calls. These units are Community Affairs, Personal and Commercial Financial Services (**APCFS®**), and Corporate and Institutional Financial Services (**ACIFS®**).

Within each Business Unit, managers plan, conduct and assess their community outreach activities. Results of these activities are completed and reviewed monthly. Outreach activities are tailored for each area within the community. These areas are as follows: Total City (represented by Loop, North, South, and West); Total Suburban (North, Northwest, South, Southwest, and West); and Total Collar (McHenry, Will, DuPage, Kane, Lake, Grundy, Kendall, Dekalb); and other states.

The managers evaluate whether the geographic distribution of calls are consistent with the goals set forth in the CRA plan. If there are gaps, the managers address these gaps with the individual calling officers. The bank analyzes the adequacy of its proactive outreach efforts three times a year (May, August, and December data) through a Geographic Distribution Analysis (**AGDA®**) process which was implemented in 1993. This process identifies the adequacy of the bank's geographic coverage and identifies any gaps in community coverage, and compares the plan to actual results to determine if any changes must be made to achieve the plan. Once reviewed by the managers, all findings are incorporated into a management tracking report and presented to three committees, the CRA Review, CRA Executive, and the Board of Directors CRA Committee.

The bank also analyzes overall calling activities and census tract penetration three times a year (using May, August, and December data). The analysis determines the following:

1. Call and Goal Summary Report - Outreach efforts in nine county metropolitan area by percent of entities contacted, further broken down by number and percent of customers and non-customers and percentage in relation to CRA plan.
2. Entities Contact Report - Outreach efforts within the nine areas in Cook County by bankers and Needs Ascertainment Manager (NAM).
3. Low- and moderate-income entities contacted by customers and non-customers.
4. Minority area entities contacted by customers and non-customers.
5. Outreach efforts within each of the nine areas of the bank's delineated community, and what was the total penetration in each area.
6. Distribution of calling activities in the 77 communities in the City of Chicago and 28 suburban townships in Cook County, including the distribution by low- and moderate income and minority census tracts.

It should be noted that the bank determines low- and moderate-income census tracts using median household income; however, the analysis of the bank's Home Mortgage Disclosure Act (HMDA) data is based on the median family income. The bank's analysis is conservative as the median family income is higher than the median household income in the Chicago MSA.

In April 1995 through September 1996, bankers conducted 13,943 calls to individuals, businesses and municipalities within the delineated community to ascertain credit needs. Approximately 35% of the calls were to organizations and individuals in low- and moderate-income census tracts and 36% were to organizations and individuals in minority census tracts.

The geographic distribution of the bank's calling efforts is illustrated in the following charts:

BANKER PROACTIVE CALLING EFFORTS APRIL 1, 1995 - DECEMBER 31, 1995							
AREA	TOTAL CENSUS TRACTS	WITHIN L & M C.T. # & %		WITHIN MINORITY C.T. # & %		WITHIN TOTAL C.T. # & %	
Loop	6	2	100%	1	100%	6	100%
North City	268	104	81%	76	84%	221	82%
South City	372	225	87%	257	91%	330	89%
West City	219	168	84%	166	86%	182	83%
<b>TOTAL CITY</b>	865	499	85%	500	88%	739	85%
North Suburban	73	3	75%	5	100%	71	97%
Northwest Suburban	130	2	100%	1	100%	114	88%
South Suburban	123	30	91%	36	92%	109	89%
Southwest Suburban	37	3	75%	4	80%	31	84%
West Suburban	123	14	47%	16	84%	98	80%
<b>TOTAL SUBURBAN</b>	486	52	71%	62	90%	423	87%
<b>TOTAL COOK COUNTY</b>	1,351	551	83%	562	88%	1,162	86%



BANKER PROACTIVE CALLING EFFORTS JANUARY 1 - SEPTEMBER 31, 1996							
AREA	TOTAL CENSUS TRACTS	WITHIN L & M C.T. # & %		WITHIN MINORITY C.T. # & %		WITHIN TOTAL C.T. # & %	
Loop	6	2	100%	1	100%	6	100%
North City	268	102	79%	68	75%	225	84%
South City	372	184	71%	208	74%	279	75%
West City	219	156	78%	148	77%	173	79%
<b>TOTAL CITY</b>	865	444	76%	425	75%	683	79%
North Suburban	73	3	75%	5	100%	69	95%
Northwest Suburban	130	2	100%	1	100%	103	79%
South Suburban	123	21	64%	25	64%	74	60%
Southwest Suburban	37	2	50%	3	60%	24	65%
West Suburban	123	12	40%	12	63%	78	63%
<b>TOTAL SUBURBAN</b>	486	40	55%	46	67%	348	72%
<b>TOTAL COOK COUNTY</b>	1,351	484	73%	475	75%	1,032	76%

This geographic distribution analysis indicates that the bank called on entities in 1,162 or 86% of the 1,351 census tracts in Cook County at least once during the last nine (9) months of 1995, and 1,032 or 76% during the first nine months of 1996. Of the 661 low- and moderate-income census tracts in Cook County, the bank made calls in 551 or 83% from April to December 1995 and 484 or 73% from January to September 1996. The lowest penetration level in Cook County for 1995 was in the West Suburban area where activity was reported in 80% of all census tracts, and 47% of all low- and moderate-income census tracts. All other areas of the city and suburbs had at least an 82% penetration level. In 1996, the lowest penetration was in the South Suburban area where activity was reported in 60% of all census tracts, and 64% in low- and moderate-income census tracts. It should be noted that while the Western Suburban area had activity in

more census tracts, (63%) in 1996, the low- and moderate-income census tracts had a lower penetration level (40%) when compared to the South Suburban area. All other areas of the city and suburbs, with the exception of West Suburban and Southwest Suburban penetration levels of 63% and 65% respectively, had at least a 72% penetration level.

The bank's August 1996 Executive Summary of calls revealed five suburban communities where call activity is below planned activities. These communities are Calumet, Bremen, and Bloom East (South Suburbs) and Chicago West, and Stickney/Lake (West Suburbs). Through the first eight months of 1996, contacts in low- and moderate-income census tracts totaled 59.6% of the Plan goal (3,216) which annualized would be under plan by 11%. Minority census tract calling efforts are consistent with the Plan goal (2,323), with 74.9% penetration level for the same eight-month period which when annualized would exceed Plan goals by 12%. During this same period, calls were made to non-customers in 64.3% of the low- and moderate-income and 65.1% of the minority census tracts.

### DISCUSSION GROUPS

The bank uses internal and external discussion groups in its outreach efforts. These meetings are conducted by the bank's NAM on a regular basis. In internal discussion groups, bank employees discuss the results of their community outreach efforts. Participants in external discussion groups include representatives from ethnic and low- and moderate-income segments of the community; they include community residents, community leaders, and small business owners. Information gathered during these meetings are communicated to the bank's CRA Review Committee by the NAM.

Since the previous examination the bank conducted four internal discussion group meetings (June 16 and December 14, 1995 and June 21, and October 28, 1996). Credit needs identified include small commercial and mixed-use real estate financing; rehab loans; overdraft protection for college students; more flexible underwriting criteria; and consolidation, home improvement, and home equity loans.

Two external discussion group meetings were conducted since the previous examination (October 10, 1995 and May 21, 1996); participants included representatives from the Philippine Chamber of Commerce and the African Immigrant Community. Credit needs identified during the two meetings included: small business loans, secured charge cards, and home mortgages.

### EDUCATIONAL OUTREACH

Since the previous examination, the bank participated in 54 housing fairs, 12 small business education seminars, and 17 other education efforts throughout the community. This was evidenced by a review of the bank's CRA file. These events are designed to increase market penetration in minority areas within the delineated community. In most cases, the bank was the sponsor or major organizer of these events.

### ORGANIZATIONAL INVOLVEMENT

Directors, officers, and staff are actively involved in numerous organizations throughout the delineated community. Through this ongoing involvement in local organizations, the bank identifies and responds to unmet credit and service needs. During the scope of this examination, the CRA officer served as the treasurer and director of the Chicago Low Income Housing Trust Fund; a senior bank officer served on the board of the Local Initiatives Support Corporation; and a senior officer served on the board of the Community Investment Corporation. The following is a partial list, by region, of organizations with which bank officers and staff are affiliated throughout the delineated community.

**Cook County** - Chicago Equity Fund; Consumer Credit Counseling Service of Greater Chicago; Economic Development Council; Illinois Housing Development Authority; The Woodstock Institute; U.S. Small Business Administration; Urban Land Institute; National Training & Information Center; and Women's Business Development Center.

**City of Chicago** - Chicago Housing Partnership; City of Chicago Department of Planning and Economic Development; Chicago Neighborhood of Community Organizations (ACANDO®); City of Chicago Department of Housing; and Neighborhood Housing Service of Chicago.

**North City** - Greater Northern Pulaski Development Corporation (also West City) and Creative Youth Children Learning Experience (CYCLE).

**West City** - Lawndale Christian Development Corporation; Midwest Chicago Avenue Business Association; Pilsen Resurrection Development Corporation; Peoples Re-Investment Development Effort (APRIDE®); West Side Cluster Collaborative; and West Side Small Business Development Corporation.

**South City** - Kenwood-Oakland Development Corporation and The Neighborhood Institute.

**Suburbs** - Evanston Business Investment Corporation (north/northwest); Moraine Valley Community College Small Business Development Center (southwest); Northwest Housing Partnership (north/northwest); Proviso-Leyden Council for Community Action (west); Chicago South Land Community Development Corporation (CDC) (south/southwest); South Suburban Housing Center (south); and West Cook CDC (west).

In addition to the organizations listed, bank staff serve as members of, or participants in, civic and religious organizations throughout the delineated community.

#### NEIGHBORHOOD LENDING PROGRAM REVIEW BOARD

The bank's Neighborhood Lending Program Review Board was established in 1984 to facilitate dialog with the community members and review the bank's loan commitments. There have been five board meetings since the previous examination, the most recent was held on August 13, 1996, as evidenced by board minutes in the CRA file. Community organizations represented were the National Training and Information Center, Greater Southwest Development, Greater North Pulaski Local Development, CANDO, and PRIDE.

#### SURVEYS

In September 1995, the bank commissioned an independent research organization to conduct a needs ascertainment survey. The survey objective was to determine community leaders' perceptions of the bank's abilities to serve the credit needs of the marketplace. Results of the survey revealed significant improvement in the percentage of community leaders who recalled working with the bank on their community's behalf (55% in 1995 compared to 43% in 1993).

The study also identified the need for financing to rehab single family housing. The study also identified the need for businesses and housing credit. The bank has responded to these needs through the development and modification of products and services. Since the previous examination, the bank has created a number of new credit products to address identified credit needs. The following is a list of new or modified products.

Single Family Housing	Small Business	Consumer
Chicago Police Home ownership Program	Tele-Bank	24 Hour Conditional Approval
Rate Cap/Float Down Program (enhancement)	Facade Rebate Program (expanded)	Secured Card Product
Community Homebuyer Program (rate reduction)	Microloan Program - Kenwood Branch	Home Equity Line of Credit/Home Equity Fixed Rate Loan
Pre-Approval Program	Business Access Line	\$500 Beginner Style Line of Credit (enhancement)
Mortgage Hotline	Installment Loan Product	Home Equity Line of Credit (85% LTV) Increased term to 10 years
Down payment Assistance Program (2%)	Small Business Lending Rate Initiative	Auto Financing - Increased LTV to 90%
Community Homebuyers Program 97 (3% down)	One Product Currently Under Development: Taxi Medallion Loan Program	Loan by Phone
Wholesale Mortgage Low/Mod Program		SBDCs Technical Assistance Offered
Increased LTV for ARM Products		
Reverse Mortgage - Pilot at Winnetka		
Combination Developer and end mortgage financing		
Four Products Currently Under Development: Chicago Public School Home Ownership Program; FHA Loan Correspondent Initiative; IHDA Single Family Purchase Program; and Freddie Mac-Wallace Enterprises Community Development Lending		

### Conclusions

The bank has several methods of ascertaining its credit needs. Review of these efforts indicate that the bank is aggressive in its efforts to ascertain community needs through organizational involvement, call programs, discussion groups, and surveys. These activities are distributed throughout the bank's delineated community and have resulted in the identification of unmet credit needs.

***Assessment Factor (c) - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.***

### **Regulatory Expectation**

The Policy Statement states that banks are encouraged to develop a CRA plan to ensure an affirmative effort on the part of the bank to comply with the Act. It further states that the duty to coordinate and monitor the CRA process should be assigned to a senior officer or a committee charged with the responsibility to report periodically to the board of directors about the bank's CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses information about those policies of the bank designed to help meet community credit needs including the needs of low- and moderate-income areas and small businesses. Procedures should be implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Regardless of how the bank organizes itself to implement its CRA plan, seeing that the institution has taken the steps necessary to help meet its community's credit needs is the responsibility of the entire organization, beginning with its board of directors and continuing through its line management. To be effective, a CRA plan must include methods to incorporate findings regarding community credit needs into the development of products and services that the bank decides to offer to help meet these needs.

The Policy Statement also states that the bank's CRA statement should accurately reflect the types of lending and other services that the bank is willing to offer to the community. This statement must be reviewed at least annually to ensure its accuracy. The services that the bank chooses to offer should be clearly articulated and reasonably related to community needs.

### **Scope and Findings**

Minutes of the board of directors, and various CRA Committee meetings were reviewed during this examination. Also reviewed were the bank's CRA policy, program, plan, statement, notice, periodic and annual self-assessment reports, and training materials.

The board of directors has the ultimate responsibility for ensuring the implementation and ongoing support of the CRA program, and monitoring the bank's adherence to the provisions of both the annual CRA plan and program. The board delegates substantial responsibility for implementation of the CRA program and Plan to the bank's senior management, the CRA Executive and Review Committees, and the CRA officer.

The board of directors approved the bank's CRA policy on April 17, 1996. The CRA policy conveys the institution's bank-wide commitment to the fundamentals of CRA and fair lending laws, and articulates goals for assessing credit needs and providing loans as well as other services to the entire delineated community. It also includes directives for increasing community awareness of bank services through advertising, marketing, and call programs.

On an annual basis, the bank's CRA Review and Executive Committees initiate a CRA planning process. The CRA plan outlines specific CRA tasks with an assigned due date and responsible banker(s). Each department within the bank reviews performance goals and ideas for the new year in accordance with the bank's CRA policy and the overall CRA program. This information is presented to the board of directors for approval and adoption.

The CRA plan and CRA statement were approved on January 17, 1996. The CRA plan includes provisions that should ensure technical compliance with the regulation, such as internal audits and self-assessment. CRA training is provided on an ongoing basis, and is focused on each employee's needs and responsibilities. Goals in the training area are monitored through the bank's CRA plan, and training is scheduled to ensure areas in need of enhancement receive the appropriate action.

### **Conclusions**

It is evident from the minutes of the various CRA committees, that the board of directors has an active role in the overall CRA process.

## **II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

***Assessment Factor (b) - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.***

### **Regulatory Expectation**

The Policy Statement indicates that an effective CRA plan should include marketing and advertising programs for lending products and services that are responsive to the needs of the community and that will inform and stimulate awareness of those products and services throughout the community, including low- and moderate-income areas.

### **Scope and Findings**

A review of marketing policies and strategies, media used, and special promotions was conducted to assess the effectiveness of the bank's marketing efforts. Advertisements placed during 1995 and year-to-date 1996 were reviewed, and loan distribution was analyzed to evaluate the effectiveness of the bank's marketing program. The holding company assists the bank in its advertisements/marketing campaigns.

As illustrated in the following chart, the bank utilizes a variety of marketing tools to make its community aware of its products and services.

ADVERTISING MEDIUM	BANK SERVICES ADVERTISED	FREQUENCY OF ADVERTISEMENTS	PERCENT OF TOTAL BY TYPE
Brochure	Other Consumer*	1	.04
	Deposit	1	.04
Newspaper	Real Estate	442	17.75
	Credit Card	20	.80
	Other Consumer*	182	7.30
	Business	164	6.58
	Deposit	153	6.14
	Goodwill	166	6.67
Periodical	Real Estate	33	1.32
	Business	17	.68
	Trust/Investment	22	.88
	Goodwill	1	.04
Radio	Real Estate	91	3.65
	Other Consumer*	25	1.00
	Business	149	5.98
	Goodwill	105	4.21
Television	Goodwill	1	.04
Other	Real Estate	748	30.03
	Credit Card	8	.32
	Automobile	1	.04
	Other Consumer*	34	1.36
	Business	35	1.40
	Deposit	4	.16
	Trust/Investment	21	.84
	Goodwill	68	2.73
*Other Consumer products/services include Home Equity Lines of Credit, Multiple Products, Student Loans, Personal Loans, and Safe Deposit Boxes.			

As illustrated in the preceding chart, approximately 80% of the bank's advertising is credit related, which is a decrease from the 96% noted during the prior examination. According to bank management the decline in product specific advertising was due to recent emphasis on the promotion of the new branch offices.

In addition to the advertising media noted above, the bank considers its call program, discussed under Ascertainment, Assessment Factor (a), as one of the most effective ways of marketing its products and services, particularly small business and mortgage products. The bank currently has 10 mortgage originators, four internal and six external. Internal originators work closely with existing customers to cross-sell the bank's products and services. External originators work with realtors and community groups, and participate in local housing fairs to promote products and services.



The bank monitors its advertising and marketing efforts through the following processes:

- C A marketing database that tracks the type of marketing, the product marketed, number and dates of placements, estimated number of people reached, the geographic area covered (including ethnic communities), and the language (English/Spanish) used in the advertisement;
- C A review of the effectiveness of the advertising media selected in reaching the entire community or a particular segment; and
- C Periodic reviews of whether actual marketing activities are consistent with the marketing goals set forth in the CRA plan.

An analysis of the bank's advertising efforts revealed that the bank reaches all segments of its delineated community, including low- and moderate-income and minority markets. Approximately 20% of the bank's advertising was targeted to minority audiences, primarily Black and Hispanic members of the community.

### **Conclusions**

The bank's advertising media, including its call program is comprehensive, and is conducted throughout the entire delineated community, including low- and moderate-income and minority areas.

***Assessment Factor (i) - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.***

### **Scope and Findings**

The June 30, 1996, Consolidated Report of Condition (call report) and the Uniform Bank Performance Report (UBPR) were reviewed along with Home Mortgage Disclosure Act (HMDA) data for residential mortgage loans. Loan originations were also reviewed in relation to identified community credit needs, to determine the adequacy of the bank's lending in the residential mortgage, home improvement, housing rehab and small business loan categories within the delineated community. Community representatives were interviewed to determine their perception of credit needs in the delineated community and the bank's response to those needs.

A review of the bank's net loans and leases to deposit ratio and net loans and leases to assets ratio relative to its peers (insured commercial banks with assets in excess of \$10 billion) revealed the following:

Net Loans & Leases to Deposits				
Date	Bank	Peer	Bank Percentile	% Variation from Peer
December 31, 1994	89.52	85.48	62nd	4.51%
June 30, 1995	105.18	90.47	75th	13.99%
December 31, 1995	101.13	91.12	69th	9.90%
June 30, 1996	84.74%	92.63	38th	9.31%

The net loans and leases to deposits ratio increased in excess of 100% from 1994 to 1995; however, since 1995, the net loans and leases to deposits ratio has decreased. As of June 30, 1996, the bank's net loans and leases to deposits ratio was 84.74%, which varies by 9.31% from the bank's peer group ratio of 92.63% and places the bank at the 38th percentile compared with its peers.

Net Loans & Leases to Assets				
Date	Bank	Peer	Bank Percentile	% Variation from Peer
December 31, 1994	52.58	60.18	24th	14.45%
June 30, 1995	58.73	62.17	37th	5.86%
December 31, 1995	60.31	63.78	35th	5.75%
June 30, 1996	56.59%	65.19	17th	15.20%

Since the previous examination, the net loans and leases to assets ratio increased to in excess of 60% from 1994 to 1995; however, since 1995, the net loans and leases to assets ratio has decreased. As of June 30, 1996, the bank's net loans and leases to assets ratio was 56.59%, which varies by 15.20% from the bank's peer of 65.19% and places the bank at the 17th percentile compared with its peers.

According to management, the changes in both the bank's net loans and leases to deposit ratio and net loans and leases to assets ratio since the previous examination can be attributed to the following:

There was strong loan growth during 1995, as total commercial and personal loans, in aggregate, increased nearly \$1.1 billion or 17.8%. Growth in total deposits was only 4.2%, consequently the majority of the bank's loan growth was financed principally through the conversion of liquid assets into loans and through increases in wholesale liabilities.

The following chart illustrates the trends of the bank's HMDA originations within its delineated community since 1994:

Origination Trends Harris Bank & Trust's Total HMDA Originations Within Delineated Community						
Loan Type	1994 Originations	% Total Originations	1995 Originations	% Total Originations	1996* Originations	% Total Originations
Purchase	276	43.7%	249	51.8%	332	47.4%
Refinancing	188	29.8%	70	14.5%	156	22.3%
Home Improvement	143	22.7%	154	32.0%	189	27.1%
Multi-Family	24	3.8%	8	1.7%	22	3.2%
TOTAL	631	100.0%	481	100.0%	699	100.0%

\* All totals are through October 13, 1996

From 1994 to 1995, the volume of HMDA originations within the delineated community declined by 150 loans or 23.77%. Management attributed the decline to rising interest rates during the second half of 1994 and first half of 1995 which had a negative impact on loan demand. However, lending increased during the fourth quarter of 1995, with the fourth quarter volume being nearly equivalent to the volume generated during the first three quarters.

HMDA data indicates that the bank's mortgage lending activity represented approximately 0.66% of the total mortgage lending activity in the delineated community for all HMDA reporters in 1994, and 0.47% in 1995; a decline of 0.19% which represented a 29% decrease for the bank from 1994 to 1995. Management attributed this decrease to the following three factors:

The fact that the bank's origination efforts have been more heavily skewed to serving the low- and moderate-income segments of the mortgage market.

These segments of the mortgage market were disproportionately affected by increasing interest rates, and thus impacted the bank's performance.

Poor performance by several mortgage originators during late 1994 and early 1995; these originators were subsequently replaced; and poor performance of the mortgage operations manager, who was replaced in October 1995.

From 1995 to 1996, the bank experienced a substantial increase in the volume of HMDA originations within its delineated community. Through October 31, 1996 (ten months loan activity) the bank's total loan volume increased 218 loans or 45.32% over the bank's total loan volume during all of calendar year 1995. Management attributed the increase in volume to an expansion in the branch network through the acquisition of 54 new branches, development of wholesale partnerships, expanded community group partnerships, introduction of new low down payment mortgage loans, increased incentives for lending, new middle and senior level management, additional loan originators, and closely aligning the mortgage business to specific business functions.

The following chart illustrates the bank's loan mix as of the June 30, 1996 call report, and changes since the December 31, 1994 call report (utilized in the previous examination).

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)				LOAN TYPE AS PERCENTAGE OF TOTAL PORTFOLIO	
	June 30, 1996	December 31, 1994	\$ Amount of Change	Percent Change	June 30, 1996	December 31, 1994
REAL ESTATE						
Construction	128,859	74,548	54,311	72.85	1.62	1.19
Agricultural	-0-	-0-	-0-	0.00	0.00	0.00
Home Equity	272,428	104,768	167,660	160.03	3.43	1.68
Residential (1-4)	709,516	551,128	158,388	28.74	8.93	8.82
Junior Liens	11,523	6,208	5,315	85.62	0.15	0.10
Multifamily	48,362	47,422	940	1.98	0.61	0.76
Commercial	131,571	10,584	120,987	1143.11	1.66	0.17
LOANS TO DEPOSITORY INSTITUTIONS	99,387	154,465	-55,078	-35.66	1.25	2.47
AGRICULTURAL	59,426	31,753	27,673	87.15	0.75	0.51
COMMERCIAL/ INDUSTRIAL	3,564,904	2,643,404	921,500	34.86	44.89	42.28
CONSUMER						
Open-end Credit	920,727	899,494	21,233	2.36	11.59	14.39
All Other	351,656	381,435	29,779	-7.81	4.43	6.10
MUNICIPAL	17,396	30,200	-12,804	-42.40	0.22	0.48
OTHER*	1,625,936	1,316,624	309,312	23.49	20.47	21.06
*Other includes: loans for purchasing or carrying securities, loans to other financial institutions, finance company loans, overdrafts, U.S. bank holding company loans, and miscellaneous loans.						

The bank's loan portfolio increased by approximately \$1.7 billion, or 27.03% since the previous examination. Substantial increases were noted in commercial/industrial loans (\$921 million or 34.86%), Other loans (\$309 million or 23.49%), home equity loans (\$167 million or 160.03%) and residential real estate (\$158 million or 28.74%). Management attributed the increase to a strong economy with strong loan demand, and as well as efforts to meet the bank's "Vision 2002" financial objectives. The decline in the loans to depository institutions (\$55 million or -35.66%) and municipal loans (\$12 million or -42.40%) was attributed to the transfer of large domestic and international lending by the Financial Institutions Group to the Bank of Montreal. Management also stated that the decrease in municipal loans was due to the large run-off of a municipal leveraged lease program.

The bank is also an active loan purchaser. The bank purchases mortgage loans originated by

affiliated banks for packaging and selling in the secondary market. During 1995, the bank purchased 2,417 mortgage loans totaling \$354 million. During 1996 (through 10/31/96) the bank purchased 2,492 mortgage loans totaling \$349 million. Virtually all loans purchased by the bank are warehoused and eventually sold in the secondary market.

The bank's three year trend in nonfarm nonresidential real estate secured lending and commercial/industrial lending reflects an increased effort to make a variety of loans to small and mid-sized businesses. The number and amount of loans currently outstanding is included in the following charts:

NONFARM NONRESIDENTIAL REAL ESTATE SECURED						
Original Amounts (000's)	June 1996		June 1995		June 1994	
	#	\$	#	\$	#	\$
With original amounts of \$100,000 or less	14	\$957	5	\$306	4	\$240
With original amounts of more than \$100,000 through \$250,000	21	\$3,583	8	\$1,138	5	\$689
With original amounts of more than \$250,000 through \$1,000,000	25	\$10,780	16	\$5,214	13	\$9,025

As the chart illustrates, there has been a significant increase in both the number and dollar amount of nonfarm nonresidential real estate secured loans. Management attributes the increased lending activity to the community development team from HCCB (a retail banking division). The increased lending activity has been primarily in multifamily, church and business real estate loans. The community development team added one calling officer, made several product enhancements, and substantially increased its calling activity, all of which have resulted in the increased lending activity.

COMMERCIAL AND INDUSTRIAL LOANS						
Original Amounts (000's)	June 1996		June 1995		June 1994	
	#	\$	#	\$	#	\$
With original amounts of \$100,000 or less	1,293	\$33,942	768	\$6789	911	\$26,625
With original amounts of more than \$100,000 through \$250,000	221	\$25,444	227	\$26,933	187	\$21,538
With original amounts of more than \$250,000 through \$1,000,000	454	\$172,414	503	\$185,828	453	\$226,441

The number of commercial and industrial loans in the \$100,000 or less category increased from 911 in 1994 to 1,293 in 1996, due primarily to the small business development team within the HCCB. This team worked to increase small business micro-lending (loans less than \$25,000) through the addition of four calling officers. The number of commercial and industrial loans in the \$100,000 to \$250,000 loan category increased from 187 in 1994, to 221 in 1996, largely due to the efforts of the small business development team, and the fact that the bank lowered the interest rate charged on loans in this category. Commercial and industrial loans in the \$250,000 to \$1,000,000 category remained relatively flat from 1994 to 1996 because the bank devoted more of its resources to meeting the needs of the smaller sized businesses.

Consistent with the credit needs of the delineated community, the bank does not originate agricultural loans to small farms secured by farmland; however, the bank does occasionally originate agricultural loans to small farms, located in areas adjacent to the delineated community, to finance agricultural production.

As previously noted under Assessment Factor (a), the bank began offering new credit products as a result of its ascertainment efforts. Since the previous examination, many new loan products (single family mortgage, small business, consumer, multifamily) have been either developed or enhanced as a result of the bank's needs ascertainment process. New and enhanced loan products are included in the following chart:

New and Enhanced Loan Programs				
Product Category	Product Developed or enhanced	Date Implemented	How Need Identified	Results as of 9/30/96, unless otherwise stated
Single family housing	Chicago Police Homeownership	April 1995	Mortgage ascertainment	1 origination for \$97,683
Single family housing	Mortgage Plus	June 1995	Originator calls	151 applications
Single family housing	Community Homebuyer	October 1995	Originator calls	25 applications 1 closed
Single family housing	Pre-Approval Program	October 1995	Originator calls	50 applications
Single family housing	Down payment Assistance	April 1996	Originator calls	30 applications 19 originations
Single family housing	CHP 97 (3% down)	March 1996	Originator calls	6 applications 4 originations
Single family housing	Wholesale Mortgage	July 1996	CRA HMDA peer analysis	247 applications 100 originations

Single family housing	Increased LTV for ARMs	March 1996	Originator calls	76 applications
Single family housing	Reverse Mortgage	Second Quarter 1995	Needs ascertainment manager	7 applications
Single family housing	Developer and End Financing	Third Quarter 1995	CRA officer	34 applications
Small business	Facade Rebate Program	October 1995	Banker calls	1 commercial loan originated
Small business	Microloan Program	February 1996	Needs ascertainment manager	3 loans closed for \$95,000
Small business	Business Access Line	August 1996	Needs ascertainment manager	81 approvals for \$702,000
Consumer/personal credit	Decision Power	May 1995	HCCB outreach and branch development	74 applications and approvals
Consumer/personal credit	Secured Card Product	December 1995	Needs ascertainment manager	653 credit cards
Consumer/personal credit	HELC Fixed Rate Loan	January 1996	Competitive product development	204 responses to direct mailing
Consumer/personal credit	\$500 Beginner Style Line of Credit	April 1996	Secondary review committee for consumer credit	58 applications 43 approvals
Consumer/personal credit	HELC increased term to 10 years	June 1996	Harris/Household transition	485 applications
Consumer/personal credit	Loan by Phone	July 1996	HCCB	256 applications 7 approvals
Multifamily/Community Development	Construction Loans	June 1996	Banker calls	5 originations
Multifamily/Community Development	Commercial Mortgage Loans	Second Quarter 1996	Illinois Facility Fund	1 loan closed
Multifamily/Community Development	Term Loans to improve common areas of condo	Second Quarter 1996	Identified by branches	1 loan closed

### Conclusions

The bank has traditionally been a commercial/industrial and credit card lender, however, the bank has been implementing its "AVision 2002" strategy which emphasizes retail growth through consumer, mortgage and small business lending. The bank's loan to deposit ratio (84.74% as of June 30, 1996) has remained strong throughout the review period, in spite of



the significant branch acquisition which had a detrimental effect on the loan to deposit ratio. The bank's outstanding loan portfolio increased by approximately \$1.7 billion, or 27.03% since the previous examination, with substantial increases noted in commercial/industrial loans, ~~Auto~~ other loans, and home equity loans. Although the bank's HMDA-related originations declined from 1994 to 1995 (this was also noted during the previous examination), the bank has made efforts to address this issue. These efforts culminated with the bank's acquisition of 54 branches in June 1996. During 1996, the bank's volume of HMDA originations within its delineated community has increased substantially. In addition, new loan products have been developed consistent with the bank's CRA statement and the credit needs within the community.

***Assessment Factor (j) - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.***

### **Scope and Findings**

The bank's use of government loan programs was reviewed; loan programs reviewed included: Small Business Administration (SBA), City of Chicago Department of Housing (DOH), Illinois Housing Development Authority (IHDA), Illinois Development Finance Authority (IDFA), Affordable Housing Trust Fund (AHTF), Linked Deposit - City of Chicago Treasurer's Linked Deposit Program, Chicago Police Homeownership program (CPHP), and student loans. Also reviewed was the bank's Community Homebuyer Program (CHP) which the bank has implemented in lieu of Federal Housing Administration (FHA) and Veterans Administration (VA) loans.

Bank management and community representatives were interviewed to determine the need for government loan programs within the delineated community and CRA files were reviewed to assess the bank's participation in loan programs that are responsive to those needs. Loans were originated using one or a combination of the programs described below:

### **SBA Guaranteed Loan Programs**

The bank is certified as an SBA ~~AP~~Preferred Lender, and actively participated and utilized a variety of SBA programs. They include:

504 - In this program, the SBA issues bond debentures at fixed rates with long term maturity. The bank will fund 50% of the proposed real estate loan at market rate for a minimum of 10 years, while the SBA funds 40%. The remaining 10% is funded by the borrower. This program targets expanding businesses and is designed to meet their fixed assets needs for equipment, machinery, land and buildings. Since the previous examination, the bank has originated three 504 loans totaling \$4,260,000.

7A - Through this program, the SBA guarantees 80% to 90% of the total loan, with proceeds used for working capital, machinery, equipment and real estate. Dependent upon the purpose of the loan, terms may extend to 25 years. The SBA limits interest rates to the New York Prime rate plus 2.25% on loans for seven years or less, and 2.75% on loans for over seven years. Since the previous examination, the bank has originated five 7A loans totaling \$1,218,333.

Low Doc - This program offers small businesses a streamlined application process on loans up to \$100,000 and focuses on the character, credit and reliability of the credit applicants. There are no predetermined percentages on the amount of equity or collateral required. Since the previous examination, the bank has originated sixteen Low-Doc loans totaling \$953,000. Included in the loan total, are two (2) loans totaling \$65,000 which have been made in conjunction with a new loan program called the Microloan program. The program originated from the Kenwood Branch of the bank with cooperation from the Women's Business Development Center (WBDC), and is designed to provide financing along with technical assistance to entrepreneurs who wish to start or expand their business. The Microloan Program provides up to \$25,000 of working capital to start-ups and small businesses. The loans are guaranteed by the SBA under its Low- Doc program.

### **City of Chicago Department of Housing Programs**

Tax Reactivation - Through this program, county and city government work with developers to produce affordable rental housing units for low- and moderate-income individuals. Developers, nonprofit and for-profit can acquire tax delinquent properties through the county's scavenger sales after showing evidence of construction and permanent financing for improvement of the project. Properties considered for the program must have a minimum of seven units and be used for low- and moderate-income housing for a period of not less than 40 years.

Community Development Block Grant - Provides gap financing, second mortgages and site improvements for new single family and multi-family construction. The program targets low- and moderate-income families and is the least restrictive of all the federal programs.

### **Illinois Housing Development Authority Program**

Low Income Housing Tax Credit - Over a 10 year period, tax credits are offered on a dollar for dollar basis in reducing an individual's tax liability for new construction, acquisition and rehab of existing buildings. Tax credits may be sold to investors seeking tax shelters, in order to raise equity for a project.

Affordable Housing Trust Fund - The bank participates in this program as a conventional lender for multi-family apartment buildings. The fund serves as a loan of last resort for low-income housing projects. The maximum loan amount is \$500,000.

### **Illinois Development Finance Authority**

Economic Development Bonds The IDFA will issue taxable economic development bonds for projects that create or retain jobs.

Tax-Exempt Revenue Bonds This tax-exempt bond program offers financing for nonprofit and commercial projects such as warehouse facilities, hotels, office buildings, and other large commercial nonmanufacturing projects. The tax-exempt issues enable the borrower to combine construction costs and long-term financing into a single issue.

### **Illinois State Treasurer's Linked Deposit Programs**

Economically Targeted Investment - This program is designed to assist small to medium sized businesses that are in need of working capital and/or favorable interest rates (below market) to remain in operation. The program is intended to foster job creation and retention. Deposits at participating banks can range from \$50,000 to \$5 million for one to five years, and can result in a lowering of interest rates charged borrowers.

### **Chicago Police Homeownership Program**

The program provides a maximum of \$5,000 per household to cover a portion of the costs associated with the purchasing of a home. The purpose of this program to foster neighborhood revitalization by encouraging police officers to purchase homes in low income neighborhoods. This loan will be forgiven over a five year period.

### **Student Loans**

The bank also makes student loans which are sold to Sallie Mae. Since the previous examination, the bank made 782 loans totaling \$3.02 million. These loans include the Stafford Loan which is granted based upon financial need, and the Parental Loan for Undergraduate Students (PLUS) which is made to the parent(s)/guardian(s) of students regardless of the student's financial need. The Federal Supplemental Loan for Students is also offered by the bank. This program, authorized by the Higher Education Act, provides financial aid to undergraduate students based upon need, after taking into consideration the amount of all other financial assistance the student receives.

### **Community Homebuyer Program**

Internally, the bank has developed programs to meet the community's credit needs, when existing government loan programs have been determined to be ineffective. For example, in lieu of FHA loans, the bank created the CHP product that utilizes the Freddie Mac "Affordable Gold" program as a model. Since the program was introduced the bank has made numerous enhancements to the CHP product that makes it more desirable than the basic Freddie Mac Programs which have limited secondary market salability. These programs include: a basic CHP (very similar to the Freddie Mac program); the three and four unit CHP and the Down Payment Assistance Program that provides low- and moderate-income home buyers with interest free loans to cover up to one half of the 5% down payment (not salable and must be kept in the bank's portfolio); and a 97% CHP which requires only a 3% Down payment (very similar to programs offered by Freddie Mac and Fannie Mae). CHP products

have helped the bank penetrate low- and moderate-income and minority census tracts. During 1995, CHP loans accounted for 24% of the bank's total single- family purchase-money mortgage loans in Cook County; 33% of the purchase-money mortgage loans made in low- and moderate-income census tracts; and 38% of the loans made in minority census tracts. CHP efforts resulted in 113 loans, totaling \$10.3 million, of which 108 loans (\$9.9 million) were within the delineated community.

The following chart summarizes the bank's activity in the above mentioned government sponsored loan programs:

PARTICIPATION WITH GOVERNMENT/SUBSIDIZED LOAN PROGRAMS				
PROGRAM	CURRENTLY OUTSTANDING		SINCE PREVIOUS EXAMINATION	
	NUMBER	DOLLAR AMOUNT	NUMBER	DOLLAR AMOUNT
Small Business Administration (SBA)	28	\$5,331,400	24	\$6,431,333
City of Chicago Department of Housing (DOH)	70	\$47,145,781	10	\$5,111,545
Illinois Housing Development Authority (IHDA)	39	\$34,991,350	4	\$4,914,000
Illinois Development Finance Authority (IDFA)	2	\$312,634	2	\$3,128,000
Affordable Housing Trust Fund (AHTF)	6	\$4,528,073	1	\$86,475
Linked Deposit (State of Illinois Treasurer's Linked Deposit Program)	10	\$3,510,805	1	\$2,000,000
Chicago Police Homeownership Program (CPHP)	0	\$0	1	\$97,683
Student Loans	all loans sold in the secondary market		782	\$3,029,978
Federal Housing Administration (FHA)	14	\$97,000	0	\$0
Veterans Administration (VA)	37	\$377,000	0	\$0

**Conclusions**

The programs offered and the bank's performance are consistent with the need for these types of products within the delineated community. The bank offers and extends a variety of products which provide flexibility in lending, and accommodates participants in the credit process who may not have otherwise qualified for loans. This is evident from the bank's efforts to develop programs that are more, or as effective as existing government loan programs.

**III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES****Regulatory Expectation****Reasonableness of Community Delineation**

The regulation requires state member banks to prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps are required to be used to portray community delineations. The regulation requires Federal Reserve System examiners to review the reasonableness of the delineations.

The regulation states that a local community shall consist of the contiguous areas surrounding each office or groups of offices, including any low- and moderate-income neighborhoods in those areas. In preparing its delineation, a bank may use any one of the three methods, as stipulated in the regulation: (1) existing boundaries, such as those of a Metropolitan Statistical Area or counties in which the bank's office or offices are located; (2) the bank's effective lending territory, which is defined as that local area or areas where it makes a substantial portion of its loans and all other areas equidistant from its offices; or (3) any other reasonably delineated local area that meets the purposes of CRA and does not exclude low- and moderate-income areas.

**Scope and Findings**

The distribution of the bank's loans and the results of the bank's internal geographic analysis of its lending were reviewed, in conjunction with local demographics and the distribution of branches throughout the community, to determine the reasonableness of the bank's delineated community.

The bank has defined its community as Cook County, Illinois, which is located in the Chicago MSA. The method chosen by the bank in delineating its community is consistent with method number one, described previously. The delineation is updated at least annually; the most recent update is noted in the minutes of the January 17, 1996 minutes of the board of directors meetings.

The bank reviews the geographic distribution of its loans, deposits, and marketing and public relations efforts periodically to monitor the appropriateness of its delineation. The primary focus of these analyses is lending; they provide the bank with historic information on loan originations both within and outside of its community. Based on 1995 and 1996 analyses, the bank determined that the majority of the bank's lending and deposit base, outreach and marketing efforts are in Cook County. The examination loan sample also revealed that the majority of the bank's loans originated within Cook County.

### Conclusions

A review of the geographic distribution of HMDA data for 1995 and year-to-date 1996, the bank's internal analyses and the examination sample of loans in conjunction with local demographics and the distribution of branches throughout each community, support the reasonableness of the delineated community.

***Assessment Factor (e) - The geographic distribution of the institution's credit extensions, credit applications and credit denials.***

### Regulatory Expectation

The Policy Statement states that the services that the bank chooses to offer should be distributed within the bank's community in a fair and nondiscriminatory manner, in keeping with the bank's general approach to its business.

### Scope and Findings

A review of the bank's 1995 HMDA data, 1996 Loan Application Register (LAR), and the examination sample of loans and denied applications was performed to determine the distribution of loans within the delineated community. Also reviewed was the bank's internal geographic distribution analysis (GDA) and discussions were held with management to determine the distribution of the bank's lending.

### Lending Within the Delineated Community

A review of the examination sample of approved and denied credits revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE DELINEATED COMMUNITY	PERCENT OF TOTAL
APPROVED			
Real Estate	20	16	80.00
Home Equity Line	20	11	55.00
Installment (Direct)	20	17	85.00
Style-Line ODP	20	17	85.00
Consumer Credit Card*	98	50	51.02
Line-Of-Credit	8	7	87.50
Small Business	18	16	88.89
TOTAL APPROVED	204	134	65.69
DENIED			
Real Estate	10	8	80.00
Home Equity Line	15	13	86.67
Installment (Direct)	20	19	95.00
Style-Line ODP	20	20	100.00
Consumer Credit Card*	100	50	50.00
Line-Of-Credit	10	8	80.00
Small Business	10	10	100.00
TOTAL DENIED	185	128	69.19
*Consumer Credit Card includes both secured and unsecured.			

As illustrated in the preceding chart, 65.69% of all approved and 69.19% of denied credit applications reviewed during this examination were within the delineated community. When the credit cards are excluded from the analysis, the percentage within the bank's delineated community improves to 79.25% for loans and 91.76% of denied applications. Similarly, a review of the 1995 HMDA data revealed that 481 of a total 659 HMDA originations (72.99%) were within the delineated community; 1995 HMDA data also revealed no products with unusually high activity outside the delineated community. Preliminary 1996 HMDA data (through September 30, 1996) revealed that 569 of a total 758 HMDA originations (75.07%) were within the delineated community.

#### Lending in Low- and Moderate-Income Areas

The data is analyzed based upon the income classification of the census tract in which the property securing the loan is located. The corresponding aggregate data for the delineation is also displayed for comparison purposes.

1995 HMDA Originations by Census Tract Income to Delineation Aggregate							
Census Tract Income Classification	Harris Trust and Savings Bank				Delineation Aggregate		
	# of Origs	Origs as % of Apps	% of Total Origs	% of Total Apps	Origs as % of Apps	% of Total Origs	% of Total Apps
Low income	36	55.38	7.52	10.91	49.32	5.71	7.83
Moderate Income	98	72.59	20.46	22.65	58.55	18.92	21.87
Middle Income	161	83.42	33.61	32.38	70.31	47.08	45.33
Upper Income	184	90.64	38.41	34.06	76.70	28.14	24.83
Total	479	80.37	100.0	100.0	67.68	100.0	100.0

The preceding chart indicates that the bank originated 55.38% of the total number of loan applications received from low-income areas in 1995. These applications represented 10.91% of all HMDA-related applications received. Total originations (36) represented 7.52% of total HMDA-related originations by the bank. These figures indicate that the bank exceeded aggregate in low-income areas in the percentage of: applications received, approved, and total originations.

The bank originated 72.59% of total applications received from moderate-income areas in 1995; these applications represented 22.65% of all HMDA-related loan applications received. The total originations (98) represented 20.46% of the total HMDA-related originations by the bank; these figures indicate that the bank exceeded aggregate in moderate-income areas in the percentage of: total applications received, applications approved, and total originations.

The bank originated 83.42% of the total applications received from middle-income areas in 1995; these applications represented 32.38% of all HMDA-related applications received. The total originations (161) represented 33.61% of the total HMDA-related originations by the bank. These figures indicate that the bank exceeded aggregate in percentage of applications approved in middle-income areas; however, the bank had less applications and originations as a percentage of total applications and originations than the aggregate.

The bank originated 90.64% of the total applications received from upper-income areas in 1995; these applications represented 34.06% of all HMDA-related applications received. The total originations (184) represented 38.41% of the total HMDA-related originations by the bank; these figures exceeded aggregate performance.

1996 HMDA Originations (January 1, 1996 through September 30, 1996)*					
Census Tract Income Classification	Number of Originations	Number of Applications	Originations as a % of Applications	% of Total Number of Originations	Percentage of Total Applications
Low Income	79	158	50.00%	14.03%	19.48%
Moderate Income	156	222	70.27%	27.71%	27.37%
Middle Income	179	255	70.20%	31.79%	31.44%
Upper Income	149	176	84.66%	26.47%	21.70%
Total	563	811	69.42%	100.00%	100.00%
*Preliminary HMDA data utilized, also no information was available regarding delineation aggregate.					

The 1996 preliminary HMDA data indicates that the bank originated 50.00% of the total loan applications received from low-income areas; these applications represented 19.48% of all HMDA-related applications received. The total originations (79) represented 14.03% of the total HMDA-related originations by the bank. Compared to calendar year 1995, these preliminary figures indicate that the bank has increased its lending in low-income areas.

The bank originated 70.27% of total applications received from moderate-income areas through September 30, 1996; these applications represented 27.37% of all HMDA-related loan applications received. The total originations (156) represented 27.71% of the total HMDA-related originations by the bank. Compared to calendar year 1995, these preliminary figures indicate that the bank has increased its lending in moderate-income areas.

The bank originated 70.20% of total applications received from middle-income areas through September 30, 1996; these applications represented 31.44% of all HMDA-related loan applications received. The total originations (179) represented 31.79% of the total HMDA-related originations by the bank. Compared to calendar year 1995, these preliminary figures indicate that the bank has increased its aggregate lending in middle-income areas. The bank originated 84.66% of total applications received from upper-income areas through September 30, 1996. These applications represented 21.70% of all HMDA-related loan applications



received. The total originations (149) represented 21.70% of the total HMDA-related originations by the bank. Compared to calendar year 1995, these preliminary figures indicate that the bank will increase lending to upper-income areas.

### Lending in Minority Census Tracts

1995 Activity in Minority Census Tracts v. Delineation Aggregate by Product Type						
Product Type	Harris Bank & Trust			Delineation Aggregate*		
	Apps	Origs	Origs as % of Apps.	Apps	Origs	Origs as % of Apps
Home Purchase Loans	80	56	70.00	15,723	10,962	69.72
% of Mkt Aggregate	0.51	0.51				
% of Total Bank Activity	42.33	43.41		30.83	41.09	

  

Refinancings	23	17	73.91	22,427	10,402	46.38
% of Mkt Aggregate	0.10	0.16				
% of Total Bank Activity	12.17	13.18		43.98	38.99	

  

Home Improvement Loans	86	56	65.12	12,845	5,316	41.39
% of Mkt Aggregate	0.67	1.04				
% of Total Bank Activity	45.50	43.41		25.19	19.93	
Grand Totals	189	129	68.25	50,995	26,680	52.32
* Excludes banks data						

During 1995, the bank exceeded the delineation aggregate in the receipt of applications and origination of home purchase and home improvement loans in minority census tracts; however, the bank was below the delineation aggregate in refinancing activity.

1995 Denials* by Census Tract Minority Level to Delineation Aggregate						
Census Tract Percentage Minority	Harris Bank & Trust			Delineation Aggregate**		
	# of Apps	Number Denied	Denial as % of Apps	# of Apps	Number Denied	Denial as % of Apps
0 to 19%	266	19	7.14%	79,537	8,338	10.48%
20 to 39%	96	9	9.38%	24,139	3,597	14.90%
40 to 49%	30	5	16.67%	8,372	1,476	17.63%
50 to 100%	207	50	24.15%	52,256	14,023	26.84%
Total	599	83	13.86%	164,304	27,434	16.70%
*Denial rates were based on the number of applications declined in a particular income category relative to the total number of applications received from that category during the reporting year. **Excludes bank's data.						

During 1995, the bank approved a greater percentage of loans in minority census tracts than did the delineation aggregate.

1996* HMDA Originations and Denials in Minority Census Tracts by Product Type					
Product Type	Number of Applications	Number of Originations	Originations as % of Aps	Number Denied	Denials as % of Applications
Home Purchase	102	81	79.41%	15	14.71%
Refinancing	60	40	66.67%	12	20.00%
Home Improvement	125	48	38.40%	61	48.80%
Multifamily	42	21	50.00%	7	16.67%
Total	329	190	57.75%	95	28.88%
*Preliminary HMDA data utilized (January 1, 1996 through September 30, 1996), also no information was available regarding delineation aggregate.					

The 1996 year-to-date HMDA data indicates that the bank exceeded its 1995 lending level in minority census tracts. The bank has taken more applications (329 versus 189) and originated more loans (190 versus 129) from these tracts; however, the bank's denial rate has increased from 13.86% to 28.88%. Management stated that the increased denial rate was a result of the substantial increase in the number of applications.

#### Loans Purchased Within the Delineated Community

In 1995, the bank purchased 2,417 loans for \$354 million; 638 (26.40%) of the total purchased loans were secured by properties located in Cook County, with 30 loans (1.24%)

secured by properties in low- and moderate-income census tracts and 33 loans (1.37%) secured by properties in minority census tracts. In 1996 (through October 31, 1996), the bank purchased 2,492 loans for \$349 million; 721 (28.93%) of the total purchased loans were secured by properties located in Cook County, with 39 loans (1.57%) secured by properties in low- and moderate-income census tracts and 34 loans (1.36%) secured by properties in minority census tracts. The bank purchases loans from its affiliates for resale in the secondary market; thus, the geographic distribution of these purchases is reflective of the areas served by the bank's affiliates.

The bank analyzes the geographic distribution of its lending three times per year, based on 5 month, 8 month and 12 month data. These analyses:

- C Assist the Bank in understanding its community, and the **A**markets@within the community (e.g. individuals, small businesses, etc.);
- C Identify where additional business opportunities exist or to re-deploy allocated resources such as calling efforts; and
- C Monitor planned versus actual results including efforts in low- and moderate-income and minority areas.

The following are examples of how these analyses have contributed to changes in manpower, bank procedures, products and goals:

- C Single-family mortgage originators have been hired to cover gaps in geographic coverage;
- C Branch staff have been trained to identify **A**ffordable@multifamily opportunities in their local markets;
- C Increased banker involvement with local small business development organizations help improve small business lending results in the western suburbs and areas of the City of Chicago;
- C A small business lender with responsibility for Southern Cook County was stationed at the Kenwood branch; and
- C Financial seminars and **A**wareness building@outreach efforts were implemented to enhance consumer lending in the City of Chicago.

In order to further enhance the geographic monitoring process, the bank recently acquired a software package which produces detailed analyses more expeditiously. This tool is already increasing the bank's ability to identify and target areas with additional potential for business development.

**Conclusions**

The geographic distribution of the bank's credit applications, originations and denials reflect reasonable penetration of all segments of the delineated community, including low- and moderate-income neighborhoods. The majority of loans were within the delineated community, and the bank's level of lending in low- and moderate income areas during 1995 exceeded that of the aggregate. Lending activity increased during 1996, and the bank's total lending in minority census tracts exceeded the aggregate in 1995 and increased in volume during 1996. The procedures used to identify the geographic distribution of loan products is effective.

***Assessment Factor (g) - The institution's record of opening and closing offices and providing services at offices.***

**Scope and Findings**

A review of the bank's branch opening and closing policy, interviews with branch personnel, an assessment of the services provided by the branches and hours of operation were conducted to measure the bank's performance in this category.

The bank has a branch opening, closing and consolidation policy, which was approved by the board of directors on April 17, 1996. The policy outlines branch opening, closing, relocation and consolidation procedures, including reduction of services. Procedures include notification of regulators and customers within required time frames.

Since the previous examination, several branches have been opened or will be open for business in the near future. They are as follows:

- C **Kenwood**: Opened in February, 1996. The Kenwood branch is located on the South side of the City and serves the residents of the Grand Boulevard, Hyde Park, Kenwood, Oakland and Washington Park communities. This branch is located in a low-income and minority census tract.
- C **Loyola**: Opened in June, 1996. The Loyola branch is located on the far north side of the City and serves the Rogers Park and Edgewater Communities as well as the Loyola University campus. This branch is located in a moderate-income and minority census tract.
- C **Morgan Park**: Opened in November, 1996. The Morgan Park branch is located on the far south side of the City and serves the residents of the Morgan Park, Beverly, Washington Heights, Roseland and West Pullman communities. This branch is located in a minority census tract.
- C **Lake Forest**: Opened in December, 1996. The Lake Forest branch is located in Lake County and serves the residents of the communities of Lake Forest, Lake Bluff, Bannockburn, Highwood, Knollwood and Mettawa.
- C **Brighton Park**: Scheduled to open in January, 1997. The Brighton Park branch is located on the south side of the City and serves the residents of the Brighton Park (Back of the Yards), Gage Park, Archer Heights, West Elsdon and New City communities. This branch is located in a moderate-income census tract.
- C **Cicero**: Scheduled to open in April, 1997. The Cicero branch, located on the western

border of the City of Chicago, will serve the Village of Cicero and Chicago's Little Village community. This branch is located in a moderate-income census tract.

On June 28, 1996, the bank purchased 54 branch sites (51 branches and 3 stand alone drive up facilities) along with \$2.9 billion of deposits and \$335 million of loans from Household Bank, f.s.b. These branch locations enabled the bank to significantly increase its penetration of the Cook County market, including several low- and moderate-income and minority neighborhoods. Five of these branches are located in low-income census tracts and five located in moderate-income census tracts of Cook County, while several others serve low- and moderate-income areas. Also nine branches are located in minority census tracts. The bank also has 164 ATMs available to its customers through the bank and its affiliates. Fifteen of these ATMs are located in low- or moderate-income census tracts and eleven are located in minority census tracts.

The bank intends to close three of the acquired branches by December 31, 1996. None of the three branches are located in low- and moderate-income or minority census tracts. Two of the branches are located in grocery stores, and are being closed because the lease was terminated by the lessor. In both instances, other branches are within reasonable distances to serve these customers. The third branch is being closed due to its proximity to an affiliate. Hours of operation have also been expanded (9:00 a.m. to 6:00 p.m. weekdays, 7:00 p.m. on Fridays, and 9:00 a.m. to 2:00 p.m. on Saturdays), including opening some of the acquired branches for business on Wednesdays, which was not a business day prior to the acquisition.

The bank has also improved access to some of its products and services. In September 1995, the bank introduced TeleBank for small businesses. This service allows small business customers to access account information and transfer funds almost all week, 24 hours per day. In July of 1996, a ~~A~~Loan-by-Phone@service was piloted for consumer loans including home equity, auto and personal loans, and unsecured lines of credit. Also, in April 1996, the bank introduced the Mortgage Hotline which provides consumers with access to mortgage lending information. The Hotline is a custom designed, interactive voice mail and paging system which allows callers ~~A~~around the clock@access to mortgage specialists.

### **Conclusions**

The bank's branch closing policy is sufficient to maintain a reasonable level of service throughout the entire delineated community. Interviews with management, branch personnel and community representatives indicated that the bank delivers similar services to all geographies within the delineated community, including low- and moderate-income areas. The bank has taken significant measures to expand its branch distribution network through branch acquisitions and openings. The bank proactively solicits information from the community regarding the adequacy and effectiveness of its services and responds to identified needs.

## **IV. DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES**

**Assessment Factor (d) - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).**

**Scope and Findings**

The bank's CRA statement and loan portfolio were reviewed. Loan officers were interviewed and branch facilities were visited to assess the availability of loan products and other services. Members of the community were interviewed to determine their perception of the bank's lending practices.

The CRA statement indicates the following types of credit products are available to members of the delineated community: mortgage loans, consumer loans, small business loans, loans to finance agricultural production, commercial loans, and special loan programs. The special loan programs include loans through the Small Business Administration, City of Chicago Department of Housing, Illinois Housing Development Authority, Illinois Development Finance Authority, Affordable Housing Trust Fund, State of Illinois Treasurer's Linked Deposit Program, Chicago Police Homeownership Program, and student loans. The composition of the bank's loan portfolio indicates that the bank makes loans, by general type, consistent with its CRA statement of credits.

The result of loan officer interviews and branch visits did not reveal any practices which would tend to discourage loan applicants or raise concerns regarding the community's accessibility to the bank's credit products and services. The result of interviews with community representatives did not reveal concerns relative to the equitable delivery of credit products and services by the bank.

**Conclusions**

The examination sample of loans and denied credit applications revealed that the bank accepts applications for and originates credit in accordance with its stated policies. The review demonstrated that the bank originates credit in accordance with its stated policies, consistent with its CRA Statement. No practices intended to discourage applications were detected during the examination.

**Assessment Factor (f) - Evidence of prohibited discriminatory or other illegal credit practices.**

**Scope and Findings**

The bank's loan forms, policies and procedures, training, HMDA data and recently approved consumer and commercial loans, as well as rejected credit applications were reviewed for compliance with the applicable fair housing and fair lending laws and regulations. The bank's participation in loan programs, second review procedures for denied credit applications and a sample of outside calls were reviewed. Loan officers and other personnel with public contact were interviewed to determine their level of knowledge with fair lending laws.

The bank is in compliance with the substantive provisions of the fair lending laws, including the Fair Housing and Equal Credit Opportunity Acts.

The bank has adopted a Fair Lending Policy Statement and incorporated fair lending training into its ongoing training program. Fair lending training is provided for both newly hired employees and existing employees, and includes an overview of all fair lending laws and regulations, self evaluation/monitoring, and the bank's complaint process. The bank has a second review committee to re-evaluate potential denials. The committee that reviews residential mortgages does so without knowledge of the applicant's name or the property address. Of 53 files reviewed during 1995, 18 decisions were overturned. During 1996 (through 9/30/96), the committee reviewed 44 files and no decisions were overturned. The committee that reviews consumer loans overturned six denials during 1995; during 1996, 15 denials were overturned.

The bank's 1995 HMDA data was analyzed to determine the bank's level of lending to minorities within the delineated community.

1995 Racial Composition of Harris Bank & Trust Loan Applications and Originations Compared to the Population in the Delineation						
Racial Category	Delineation Population	% of Total Population	# of Applications	% of Apps to Total	# of Originations	% of Origs to Total
American Indian	8,541	0.17	1	0.20	0	0.00
Asian	183,004	3.59	43	8.45	38	8.98
Black	1,301,723	25.51	145	28.49	103	24.35
Hispanic	677,911	13.28	61	11.98	47	11.11
White	2,927,284	57.36	257	50.49	233	55.08
Other	4,530	0.09	2	0.39	2	0.47
Totals	5,102,993	100.00	509	100.00	423	100.00

The preceding chart indicates that the bank has received applications and originated loans in a manner which approximates the racial make-up of the delineated community.

The preceding chart indicates that the bank's loan origination rate for each racial category exceeds the aggregate in all instances with the exception of American Indian. However, this is not a cause for concern at this time as the preceding chart demonstrated that the bank's credit-related activity for American Indians corresponds roughly to the population in the delineation.

1995 Denial Rates* by Individual Racial Categories						
Racial Category of Applicants	Harris Bank & Trust			Delineation Aggregate (Excludes Bank)		
	# of Apps	# of Denials	Denials as % of Race Category Apps	# of Apps	# of Denials	Denials as % of Race Category Apps
American Indian	1	1	100.00	453	69	15.23
Asian	43	5	11.63	4,954	556	11.22
Black	145	35	24.14	33,738	7,783	23.07
Hispanic	61	8	13.11	17,778	2,498	14.05
White	257	14	5.45	82,241	7,766	9.44
Other	2	0	0.00	1,414	266	18.81
Total	509	63	12.38	140,578	18,938	13.47

\* Denial rates in this table are expressed as a percentage of the number of applications declined in a particular racial category relative to the applications received in that respective category. Information regarding the HMDA racial



categories of Joint and Unknown have been deleted from this table.

The preceding chart indicates that the bank's denial rate for each minority category are consistent with that of the aggregate for all minorities, except American Indian.

### **Conclusions**

No evidence of prohibited discriminatory credit practices was detected during the examination. The bank is in compliance with the substantive provisions of the fair housing and fair lending laws. Management has demonstrated its commitment to preventing illegal discriminatory lending practices through implementation of fair lending training and a second review process, both of which have been effective.

## **V. COMMUNITY DEVELOPMENT**

***Assessment Factor (h) - The institution's participation, including investments, in local community development or redevelopment projects or programs.***

### **Scope and Findings**

Discussions were held with management and various internal reports were reviewed to determine the bank's participation in community development and redevelopment projects/programs.

The bank's participation in community development/redevelopment projects includes investments and loans in programs designed to provide affordable housing for low- and moderate-income residents, as well as support for small business development. The bank also promotes general economic growth by providing funds for companies of all sizes to modernize plant and equipment. Financing new plant and equipment allows companies to remain competitive which in turn helps retain and expand local job opportunities.

Most of the bank's community development lending and investment activities are done by the Metropolitan Banking Division's Community Development Lending and Small Business Teams. The Mortgage Loan Department, and the Harris Bank Foundation also participate in community development activities. The Community Development Lending Team (CDL) is responsible for funding the purchase and/or rehab of multi-family and mixed use real estate. CDL committed \$13,874,220 in financing for affordable housing projects since the previous examination. These commitments represent funding for 35 properties (982 housing units), for low and moderate-income community residents. Many of these projects require multiple sources of financing including government, nonprofit organizations, and bank loans. CDL has received 113 applications, committed to funding 55 projects, and closed 42 loans since the previous examination.

The Small Business Teams (SBTs) focus on the financial needs of companies with annual sales of \$5 million or less. The SBTs are also responsible for the bank's SBA loan activities discussed under Assessment Factor (j). The SBTs efforts help provide small businesses with loans for working capital and equipment purchases for both established and new businesses. The bank developed and began marketing the AccessLine of Credit to meet the working capital needs of small businesses. AccessLine is an unsecured revolving line of credit for up to \$35,000. The bank has opened 36 AccessLines since introducing the program in September of this year.

In addition to these activities, the CDL, SBTs, Mortgage Loan Department, and the Community Affairs Division have invested in various loan pools, partnerships, and special projects with developers and nonprofit organizations. These investments are directed at development and/or rehab of affordable housing, and small businesses. Since the previous examination the bank has committed to provide \$21,629,000 new or additional funding for 33 investments.

Investment in affordable housing loan pools, and partnerships since the previous examination totaled \$18,323,000. Following are some of the housing-related intermediaries to which the bank has made commitments:

- C Chicago Equity Fund (CEF) - CEF provides financing through limited partnerships for the development of affordable multifamily rental housing. In 1995, the bank committed \$500,000 to limited partnership investments and \$2.5 million to the limited partnership loan fund. In 1996 the bank committed \$500,000 to 1996 limited partnership investments and \$3 million to the loan fund.
- C Neighborhood Housing Service (NHS) - NHS administers programs for affordable housing rehab in targeted low- and moderate-income areas. In 1996, the bank committed to invest \$100,000 in the NHS NeighborLoan Program. The bank also committed \$15,000 to help fund NHS's Full Cycle Lending Home Buyer Training Program.
- C Homan Square - A single-family housing development directed at low-and moderate-income residents on the westside of Chicago. In 1996 the Mortgage Department of the bank committed \$4.5 million in mortgage loans for phase three of the project. The bank also committed \$15,000 for the organization's marketing budget.
- C Illinois Facility Fund (IFF) - IFF provides real estate loans to small nonprofit agencies specializing in human services and community development. In 1996 the bank committed \$2 million to IFF's loan pool.
- C New Cities/South Suburban Action Council - In 1996 the bank committed \$1.5 million to participate in a home improvement loan program directed at low- and moderate-income areas in Chicago's southern suburbs.
- C During 1996, the bank's investment in loans, loan pools and partnerships directed at

small business development totaled \$3.3 million. The investments included participation in third-party micro loan programs. Micro loan programs are designed to provide small, generally \$25,000 or less, working capital loans for new businesses. The bank committed \$300,000 in micro loans since the previous examination; organizations that received funding include CANDO SELF Micro Loan Program, the Women's Business Development Corporation Micro Loan Program, the Evanston Business and Technology Center Micro Loan Program, and the West Cook Community Development Corporation Micro Loan Fund.

Other examples of the bank's participation in community development-related efforts include the following:

- C Chicago Manufacturing Center (CMC) - CMC is a nonprofit corporation which provides consultant services for small manufacturers regarding the businesses financial, marketing, and operating activities. The bank committed to provide CMC with up to \$400,000 in gap financing during 1996.
- C Chicago Community Loan Fund (CCLF) - CCLF is a non-profit revolving loan fund organized to provide low-cost flexible financing for community development projects in low and moderate-income neighborhoods. During 1995, the bank invested \$30,000 in the fund.
- C Division Street Business Development Association - The bank committed \$1.5 million in funding for a commercial real estate facade improvement loan program. The program is limited to a four block area of west Division street.

### **Conclusions**

The bank's community development activities are proactive and contribute to the economic welfare of its community. The bank's participation in several initiatives involving affordable housing and small business assistance has enhanced its community development activities.

**Assessment Factor (k) - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

There are no apparent factors relating to the bank's financial condition and size, or local economic conditions that would prevent the bank from meeting community credit needs.

**Assessment Factor (I)** - *Any other factors that, in the regulatory authority's judgement, reasonably bear upon the credit needs of its entire community.*

**Scope and Findings**

Other programs and services that relate directly to the bank's ability to meet the credit needs of its community include:

The Harris Bank Foundation supports the bank's community development efforts by targeting its grants to organizations that promote affordable housing and economic development. Since the previous examination the Foundation approved \$763,000 in grants to 90 organizations that serve low- and moderate and minority areas throughout the delineated community.

**Conclusions**

These additional activities enhance community awareness concerning bank services and promote the bank's commitment to respond to the community's credit needs.